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THE *Demand and Price* SITUATION

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SUMMARY

With the harvesting of 1949 crops well advanced, another year of high level farm production is virtually assured. Despite large supplies, including postwar record carry-overs for many crops, a relatively strong demand continues to maintain the general level of farm product prices only slightly below that of last spring. For a number of commodities, price supports have also contributed to generally stable prices for farm products. Increased marketings of corn and hogs in the next month or two are likely to be reflected in lower prices for these commodities and a slight over-all decline in agricultural prices.

The downtrend in business activity was reversed in August and further improvement was noted in early September. Both production and employment rose substantially in most nonagricultural sectors of the economy during August. Unemployment in early September was 700,000 less than in early July. In late August, the decline in wholesale prices was reversed also.

Unless work stoppages in the coal and steel industries continue over-all business activity in the next month or two is likely to remain near the higher levels of recent weeks. For the near future, the strong consumer demand for food and other farm products is expected to continue.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948		1949			
		Year	Aug.	May	June	July	Aug.
Industrial production <u>1/</u>	:1935-39 :						
Total.....	=100 :	192	191	174	169	162	170
All manufacturers.....	do. :	198	197	179	175	168	177
Durable goods.....	do. :	225	223	201	194	185	194
Nondurable goods.....	do. :	177	177	161	161	155	164
Minerals.....	do. :	155	159	145	134	123	128
Construction activity <u>1/</u>	:1935-39 :						
Contracts, total.....	=100 :	331	350	314	338	362	383
Contracts, residential.....	do. :	397	434	385	426	485	520
Wholesale prices <u>2/</u>	:						
All commodities.....	:1926=100 :	165	170	156	154	154	153
All commodities except	:						
farm and food.....	do. :	151	153	147	146	145	145
Farm Products	do. :	188	192	171	169	166	162
Food.....	do. :	179	190	164	162	161	161
Prices received and paid by	:						
farmers <u>3/</u>	:1910-14 :						
Prices received, all prod...	=100 :	287	293	256	252	249	245
Prices paid, interest and	:						
taxes.....	do. :	250	251	245	245	244	243
Parity ratio.....	do. :	115	117	104	103	102	101
Consumers' price <u>2/ 4/</u>	:1935-39 :						
Total.....	=100 :	171	174	169	170	168	169
Food.....	do. :	210	217	202	204	202	203
Nonfood.....	do. :	149	151	150	150	150	150
Income	:						
Nonagricultural payments <u>5/</u>	:Bil.Dol.:	188.8	192.0	192.6	191.8	191.1	
Income of industrial	:1935-39 :						
workers <u>3/</u>	=100 :	364	377	332	N.A.	N.A.	
Factory payrolls <u>2/</u>	do. :	389	399	351	N.A.	N.A.	
Weekly earnings of factory	:						
workers <u>2/</u>	:						
All Manufacturing.....	Dollars :	53.14	54.05	52.86	53.68	54.67	54.60
Durable goods	do. :	56.76	58.19	56.82	57.57	57.35	57.63
Nondurable goods.....	do. :	49.33	49.78	49.00	49.57	51.68	51.35
Employment	:						
Total civilian <u>6/</u>	:Millions:	59.4	61.2	58.7	59.6	59.7	59.9
Nonagricultural <u>6/</u>	do. :	51.4	52.8	49.7	48.9	50.1	51.4
Agricultural <u>6/</u>	do. :	8.0	8.4	9.0	9.7	9.6	8.5
Government finance (Federal) <u>7/</u>	:						
Income, cash operating.....	Mil.dol.:	3,748	3,162	2,595	4,798	2,081	
Outgo, cash operating.....	do. :	3,075	2,950	3,686	4,539	4,965	
Net cash operating income	:						
or outgo.....	do. :	+ 673	+ 221	-1,091	+ 258	- 884	

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of The Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ Consumers' price index for moderate-income families in large cities. 5/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis.

N.A. Not available.

Although the recent currency devaluation in many foreign countries creates downward pressures on the dollar prices of most U. S. export commodities, the domestic prices of major export farm products--wheat, cotton and tobacco--will not be reduced significantly since prices of these commodities are already close to Government support levels.

Commodity highlights

Prices of grain-fed cattle may decline moderately later in the year. The seasonal decline in hog prices this fall may be only moderately greater than the average drop of 18 percent. Prices of milk and dairy products as a group will increase somewhat further this fall. Prices of animal protein feeds and soybean meal will continue relatively high compared with those for the lower protein feeds. Grower prices this fall for most of the large 1949 crops of deciduous fruits are expected to continue lower than a year earlier. Prices received for grapefruit this fall are expected to continue higher than a year earlier. Prices which growers will receive for most fresh market and truck crops in the next few months may average higher than those of a year ago. The 1949 potato crop in the 29 late states probably will bring prices averaging somewhat lower than those of a year earlier and above the support level. Demand for U. S. cigarette tobacco is likely to continue moderately strong, but leaf prices for the cigarette types are not likely to reach the high 1948 averages.

OUTPUT AND EMPLOYMENT

Over-all industrial production in August was up from the previous month for the first time since it reached its postwar peak last October. Until July, output had declined steadily to a level 17 percent below the peak. At 170 (1935-39=100), the Federal Reserve Board's seasonally adjusted index for August was 5 percent above July, but 11 percent below August a year earlier. Increases in output occurred in all major groups of industries.

Durable goods production recovered from the 4 percent decline in July as activity increased in the steel, lumber and nonferrous metals industries. However, at 194 the index of durable goods production in August was 13 percent below August 1948 and 16 percent below the peak in October 1948. Steel production in August was 18 percent above July with operations averaging 82.2 percent of rated capacity compared with 70.9 percent in July. Motor vehicle production set a record as assemblies for the month reached a new high of about 650,000 units.

Nondurable goods output was also up sharply from the relatively low levels of July. The index of nondurable goods production in August rose to 164, 6 percent above July, but 7 percent below August 1948 and 10 percent below the peak in February of last year. Activity in the textile industries was up substantially from July, while output of paper, leather, tobacco, rubber and petroleum and coal products also increased.

Total production of minerals in August increased as output of both coal and crude petroleum rose. The index of total output of minerals was 128, 4 percent above July, but 19 percent below August 1948.

Preliminary data for selected industries indicate a further increase in total industrial production in September despite the work stoppage in coal. Activity in the steel and automotive industries in early September remained at about the rates of late August. Output of textiles increased further while production of crude petroleum and paperboard also was up somewhat from the August rate.

Civilian employment in August totaled 59.9 million persons, 200,000 greater than in July, but 1.3 millions fewer than in August 1948. A sharp rise in nonagricultural employment from July more than offset a seasonal decline in farm employment. Total employment in nonagricultural industries rose to 51.4 million persons, 1.3 millions above July but 1.4 millions below August a year ago.

In early September total employment declined to 59.4 million persons, largely reflecting a seasonal decline in farm employment. Non-agricultural employment at 51.3 millions was only 100,000 below August.

In August the number of persons unemployed dropped for the first time in four months. The 3.7 million persons unemployed were 400,000 fewer than in July, but 1.8 millions more than in August a year earlier. The July to August decline reflected the sharp rise in nonfarm employment and the seasonal shrinkage in the size of the civilian labor force. The total civilian labor force in August was estimated at 63.6 million persons, 200,000 less than in July, but 400,000 greater than in August 1948.

In early September, with the labor force continuing to decline seasonally, unemployment dropped further to 3.4 millions, 300,000 less than the previous month and 700,000 below July. (Persons on strike are not reported as unemployed).

The value of new construction started in August totaled 1.9 billion dollars, slightly above July but somewhat lower than in August 1948. The rise from July reflected increases of 2 percent in private construction expenditures and 4 percent in public outlays. For the first eight months of 1949, total construction expenditures were up 2 percent from the same period last year. All of the rise from a year earlier was accounted for by a 30 percent increase in public construction. Private expenditures declined 6 percent. Outlays for residential nonfarm construction from January-August were 11 percent lower than a year earlier.

INCOME AND RELATED FACTORS

Total personal income dropped moderately in July from June largely as a result of a less than usual seasonal increase in farm income. The seasonally adjusted annual rate was 209.7 billion dollars compared with 212.4 billions in June and 214.5 billions in July 1948. In view of increased employment in August, personal income probably increased in that month.

Wage and salary receipts in July were below those of a year earlier for the first time this year. At an annual rate of 133.7 billions, income from this source was .5 billion below June and .9 billion below July a year earlier. Declines in total wages and salaries from June were due chiefly to lower pay rolls in the manufacturing, distribution and service industries. Income of nonfarm proprietors was also down slightly.

Sales at department stores in August, after seasonal adjustment, were up for the first time in 4 months. The Federal Reserve Board's index of department store sales was 284 (1935-39=100) in August, 1 percent above July, but 8 percent below a year earlier. For the first eight months of this year, dollar sales were 5 percent below the same period in 1948.

COMMODITY PRICES

Commodity prices at wholesale continued downward through most of August and then recovered during the last week of that month and early September. The monthly BLS index of wholesale prices was 153.0 in August compared with 153.4 in July and 169.8 in August 1948, when the index hit its postwar peak. Declines in farm and food prices during the first part of August accounted for most of the decline. Industrial prices as a group also declined, but only slightly.

Table 1.- Group indexes of wholesale prices, week ended September 20, with comparisons

(1926=100)

Group	Week ended Sept. 20, 1949	Week ended Aug. 23, 1949	Week ended Sept. 21, 1948	Week ended Sept. 20, 1949 Percentage change from	
				Week ended Aug. 23, 1949	Week ended Sept. 21, 1948
All commodities	154.1	151.9	169.5	+ 1.4	- 9.1
Farm products	162.4	159.8	192.4	+ 1.6	- 15.6
Foods	166.3	161.3	189.6	+ 3.1	- 12.3
All other than farm and food	145.9	144.9	153.1	+ .7	- 4.7
Textile products	141.1	139.7	147.6	+ 1.0	- 4.4
Fuel and lighting materials	131.0	130.0	136.7	+ .8	- 4.2
Metals and products	169.3	167.9	172.0	+ .8	- 1.6
Building materials	190.2	189.6	204.1	+ .3	- 6.8
All others	124.7	124.0	134.9	+ .6	- 7.6

Wholesale prices of all commodities during the week ended September 20 were 1.4 percent above the level of 4 weeks earlier, reflecting for the most part increases in farm and food products. Prices of nonagricultural products also advanced generally, but the increases were generally smaller than those of farm products. Prices of textile products, among this group, continued to show strength, increasing 1 percent above those of 4 weeks earlier.

Wholesale prices of all commodities in the week ended September 20 were 9.1 percent below a year earlier. Greatest declines were in farm commodities, which were down 15.6 percent, and food products which were off 12.3 percent. Industrial commodities as a group were 4.7 percent below last year, reflecting sharp declines in prices of building materials and commodities in the miscellaneous group. Prices of metals and metal products were off only 1.6 percent from a year ago.

Prices paid by moderate income families in large cities averaged slightly higher in August as prices of food, fuel, rent and commodities in the miscellaneous group rose above those of the previous month. The BLS index of consumer prices in August was 168.8 (1935-39=100) compared with 168.5 in July and 174.5 in August 1948. Prices of apparel and home furnishings continued to decline slightly.

Farm product prices averaged 2 percent higher in mid-September than in the previous month. The BAE index of prices received in mid-September rose to 249 (1910-14=100), 2 percent above August but 14 percent below

Table 2.- Group indexes of prices received by farmers September 15, 1949 . . .
with comparisons

Index numbers (August 1909-July 1914=100)						
Group	Sept. 15,	Aug. 15,	Sept. 15,	September 15, 1949		
	1949	1949	1948	percentage change from		
				Aug. 15,	Sept. 15,	
				1949	1948	
Food grains	210	204	223	+ 3	- 6	
Feed grains and hay	167	166	223	+ 1	- 25	
Cotton	240	236	250	+ 2	- 4	
Tobacco	400	407	406	- 2	- 1	
Oil-bearing crops	213	225	282	- 5	- 24	
Fruit	143	160	185	- 11	- 23	
Truck crops	205	174	150	+ 18	+ 37	
All crops	211	212	231	1/	- 9	
Meat animals	326	317	408	+ 3	- 20	
Dairy products	249	243	302	+ 2	- 18	
Poultry and eggs	237	226	253	+ 5	- 6	
Livestock and products	284	276	343	+ 3	- 17	
Crops, livestock and products	249	245	290	+ 2	- 14	

1/ Less than one-half percent decrease.

September 1948. Average prices received for all crops combined were about the same as a month earlier as higher prices for food and feed grains, cotton and truck crops offset declines for tobacco, oil-bearing crops and fruit. Prices of livestock and products averaged 3 percent higher than in mid-August with increases being recorded for each of the major groups. In the next month or two increased marketings of corn and hogs are likely to be reflected in lower prices for these commodities and probably in a slight decline in the over-all level of prices received by farmers.

Prices received for all crops combined were 9 percent below last year, while those for livestock and products were off 17 percent. Drops from a year ago were sharpest for feed grains, oil-bearing crops, fruit, meat animals and dairy products.

Prices paid by farmers, including interest and taxes, averaged slightly lower in mid-September than in the previous month. The BAE index of prices paid, interest and taxes in mid-September was 242 (1910-14=100), 1 point lower than in mid-August and 9 points below August 1948. Lower prices paid for feed, building materials, furniture and automobiles more than offset rises in clothing and household supplies. As a result of the rise in prices received and decline in prices paid, interest and taxes, the parity ratio (index of prices received divided by the index of prices paid, interest and taxes) rose to 103, 2 points above August but 13 points below September a year earlier.

DEVALUATION AND AGRICULTURAL EXPORTS

On September 19 the devaluation of the pound sterling in terms of the United States dollar was announced. By October 3 most of the other countries using sterling had devalued and eighteen other countries as well. The pound sterling and most of the other currencies which were devalued were devalued 30.5 percent in relation to the dollar. The Canadian dollar was devalued 9 percent. In 1948, the devaluing countries took 70 percent of United States agricultural exports. Wheat, cotton and tobacco represent the most important farm products exported to these and other countries.

In the short-run, devaluation creates a downward pressure on the dollar price of a traded commodity and an upward pressure on its price in the devalued currency.

The extent of price and export volume adjustments will vary considerably by commodities. The range in price adjustments could vary from a drop in the dollar price to the full extent of the currency devaluation and no change in the foreign price, to no change in the dollar price and a rise in the foreign price proportionate to the devaluation. Generally, the drop in dollar prices will be less than the rise in devalued currency. In some instances, the dollar price level may be maintained with little change.

For the major export farm products--wheat, cotton and tobacco--the adjustment in prices will take place very largely in the devaluing areas. U. S. domestic prices of these commodities are close to Government price support levels and, consequently, will not be reduced significantly.

Since most of the exports of these commodities are financed under the ECA program, it seems unlikely that foreign takings of these commodities will be reduced substantially in the near future. In the case of cotton, an expansion in British and other European textile exports to the United States and their replacing U. S. textiles in foreign markets could lead to a stronger foreign demand for raw U. S. cotton. On the other hand, there may be a slackening domestic demand for raw cotton by U. S. textile manufacturers.

FARM INCOME

Farmers received about 2.5 billion dollars from farm marketings in September, a little more than in August but 18 percent less than in September 1948. Prices received for farm products averaged a little higher than in August but 14 percent below last September. Marketings in September were smaller than a year ago. For the first 9 months of 1949, farmers' receipts from marketings are estimated at 18.9 billion dollars, or 10 percent less than last year. Prices averaged 12 percent below the same period in 1948, but marketings were slightly greater than last year.

Total receipts for September were at the highest point for any month so far this year. Receipts from livestock and products of 1.3 billion dollars were a little above August but about 16 percent below last year. Cash receipts from meat animals were up seasonally, about 7 percent higher than in August but almost one-fifth below September a year ago. Receipts from dairy products were down a little from August as the seasonal decline in production more than offset a slight increase in prices. They were 16 percent below last September because of lower prices. Poultry and egg receipts in September were about the same as in August; but they were down from last year since prices averaged 6 percent lower as a result of lower prices for chickens and turkeys. Total crop receipts in September were almost a fifth below last year, reflecting lower prices and a smaller volume of marketings. Nearly all crops shared in this decline.

Of the 18.9 billion dollars farmers received during the first 9 months, 11.1 billion were from livestock and products and 7.8 billion from crops. Receipts from livestock and products were down about 11 percent from the same period last year. Farmers' receipts from meat animals were down 12 percent. The volume of meat-animal marketings was about the same but prices were substantially lower. Receipts from dairy products were 17 percent below last year, although marketings were a little larger. Cash receipts from chickens and turkeys were a little less than in 1948 and receipts from eggs were about the same. The 9-month total of crop receipts was down about 6 percent. Smaller marketings together with marked price declines brought receipts from wheat and vegetables down sharply. Oil-bearing crops were also down because of lower prices. Marketings of cotton, however, were enough greater than last year to more than offset lower prices, and cash receipts rose. Tobacco marketings were higher than last year but prices averaged lower and tobacco growers received a little less. Receipts from fruits and nuts were about the same.

LIVESTOCK AND MEAT

About one-fifth more meat was produced in August and early September this year than last. This was the biggest increase in output over a year earlier since October 1947. Slaughter of grain-fed cattle has continued high for the season, slaughter of grass cattle has been rising, and hog slaughter has expanded at a faster rate than is usual at this time of year.

Prices of meat animals generally showed steady to rising trends through mid-September, then declined moderately. Apparently, this was mainly due to the usual seasonal gain in demand together with the small stocks of meat in cold storage.

Prices of grain-fed cattle may not decline until later in the year, and then only moderately. Not much change is expected in prices of lower grades of cattle. Prices of lambs are likely to go little if any lower this year and to remain high relative to prices of other meat animals. The seasonal decline in hog prices this fall may be only moderately greater than the average drop of 18 percent. The decline may be less than would be expected because the effect on prices of 15 percent more spring pigs is being eased by early marketings of many hogs, slightly lighter average slaughter weights, and a seasonal decline in cattle slaughter in prospect for later in the year. Pork production in the 6 months beginning in October may increase over a year earlier by only a little more than 10 percent.

Monthly hog price support levels for the period October 1949-March 1950 have been announced by the U. S. Department of Agriculture as follows: October, \$16.40 per hundred pounds; November, \$15.00; December, \$14.20; January, \$14.90; February, \$15.50; March, \$16.20. Weekly guides for support operations at 7 mid-western markets decline seasonally from \$17.45 in the week ending October 15 to \$14.75 in all weeks of December, and increase thereafter.

Meat consumption in the July-September quarter usually the lowest quarter in the year, is estimated at about 1 pound per person more than the 33.7 pounds consumed in the same 3 months of 1948. In the fourth quarter, when production will be seasonally larger, consumption may approach 40 pounds. This would be more than 1 pound above the 38.5 pounds in the same quarter last year. Since consumption in January-June 1949, was below a year earlier, these prospects indicate that total 1949 consumption per person may equal or slightly exceed the 146 pounds in 1948.

Less lamb and mutton will be consumed per person this year than in any year on record, and probably less than in any year since colonial days. Little change is expected in stock sheep numbers in 1949, in contrast with the sharp declines in the last seven years. If numbers stabilize, several years will elapse before supplies of lamb and mutton increase materially. Prices of lambs are likely to hold relatively higher than prices of other meat animals for a rather long period. Wool prices probably will stay comparatively lower than lamb prices but are likely to respond less to fluctuations in demand.

DAIRY PRODUCTS

Mainly as a result of seasonally smaller output, prices of milk and dairy products as a group will increase somewhat further this fall. Stable prices are expected for some items, and slightly rising prices for others. This will be in sharp contrast to the contraseasonal declines during the closing months of 1948. Even so, the average for all items will be below that of a year earlier. In the last quarter of this year, retail prices for butter probably will be down less from a year earlier than those for margarine.

All three components of the total demand for dairy products—exports, storage and consumer demand—apparently have not been nearly so strong so far in 1949 as in the same period of 1948. By mid-September the Department of Agriculture had purchased about 92 million dollars worth of dairy products for price support, export supply and school lunch programs. Purchases consisted of 76 million pounds of butter, 332 million pounds of nonfat dry milk solids, and 23 million pounds of cheese. The purchase prices were advanced seasonally in late July for butter and on September 1 for nonfat dry milk solids. Because of these purchases and seasonal declines in output, prices for dairy products have advanced somewhat since mid-summer. All items, however, are considerably under a year earlier. Among manufactured items, decreases ranged from 12 percent for evaporated milk to 26 percent for nonfat dry milk solids.

In early September, the average retail price of milk in 25 cities was 20.3 cents per quart compared with 19.9 in June and 21.6 in September 1948. So far this year apparent consumption of fluid milk and cream combined has been little different from a year earlier. Among the manufactured dairy products, production of butter, cheese and nonfat dry milk solids has been greater than a year earlier, while production of all other items has been smaller.

The rate of concentrate feeding has continued high and milk production per cow in the United States has been a record every month so far in 1949. For 1949 as a whole, production will be around 117 billion pounds, compared with 115.5 billions last year.

POULTRY AND EGGS

Egg prices advanced steadily through mid-September, when the average price paid to farmers was 52.5 cents per dozen, 3.7 cents higher than in August, and 1.1 cents higher than a year ago. In metropolitan wholesale markets, the seasonal price rises of most grades of eggs were sharp, and greater than the rise in average farm prices. In Chicago, the top quotation for fresh Extras (60% A's) rose from 58 cents on August 15 to 64 cents five weeks later.

Current production of eggs is not greatly different from last year. During the rest of 1949, the number of layers on farms probably will exceed that of a year earlier. Consequently, supplies of fresh eggs this fall will be larger than last year, particularly in the last month or two. This may prevent prices from reaching as high a peak as a year ago. Before year-end, egg prices are very likely to be at a level under that of the same date of 1948.

Storage stocks of both shell and frozen eggs are sharply lower than a year earlier. This was a factor contributing to relatively high egg prices in early fall. By the end of the year, low storage stocks will no longer be an important price-maintaining factor.

Poultry prices through mid-September have been sharply lower than a year ago. At 24.4 cents per pound on September 15, the farm price of chickens was 24 percent lower than the September price a year ago. Marketings of farm-produced chicken are now at or near a seasonal peak, and the volume of broiler marketings from specialized producing areas is also high.

Marketings of turkeys from the large 1949 crop have already begun, and prices, though higher than the Government support, are lower than last year's record. To September 30, only 174,000 pounds of turkey had been bought under the price-support program, which is intended to prevent United States average prices from falling below 90 percent of parity during the major marketing season.

FATS AND OILS

September 1 crop conditions indicated that the total quantity of cottonseed, soybeans, flaxseed and peanuts produced in 1949 will be 7 percent smaller than in 1948. After allowance for non-crushing uses of these crops, including food uses of peanuts, the output of domestic vegetable oils in 1949-50 (including the oil equivalent of soybeans, flaxseed and peanuts exported for crushing abroad) may be about 4.5 billion pounds compared with about 4.8 billion pounds a year earlier. Production of cottonseed, based upon an estimated cotton crop of 14.9 million bales, may total 6,027,000 tons, 86,000 tons more than last year. Soybean production this year may total 204.2 million bushels, 16 million less than last year's record output. Flaxseed production is indicated to be 41.6 million bushels, 11 million less than last year. Production of peanuts from acreage for picking and threshing may be about 1.8 billion pounds, 546 million pounds below last year's total.

Exports of fats, oils and oil equivalent of oil seeds in July were 193 million pounds, 143 million more than a year earlier. July exports of lard, tallow and cottonseed oil declined and exports of soybean oil and the oil equivalent of soybeans increased compared with the previous month. Exports in January-July totaled 1,539 million pounds, including shipments to United States Territories, compared with 518 million for the same period last year.

Imports of fats and oils including oilseeds in terms of oil in January-July were 543 million pounds compared with 774 million a year earlier. Imports of coconut oil and palm oil for the first 7 months of this year were larger than for the comparable period last year. However, copra and tung oil imports were much smaller.

On August 29 the President approved an amendment to the Agricultural Adjustment Act of 1938 which provides that no State shall receive a peanut acreage allotment less than (1) the State allotment for the 1941 crop or (2) 60 percent of the peanut acreage harvested for nuts in 1948 whichever is larger. The law also states that the 1950 national peanut acreage allotment shall not be less than 2.1 million acres. This is larger than would be required under the Act without the amendment.

It was announced on September 1 that the support price for 1949 crop soybeans (90 percent of the comparable price on September 1) will be \$2.11 per bushel for 1949-crop green and yellow soybeans grading U. S. No. 2 or better and containing not more than 14 percent moisture. Corresponding price support for 1948-crop soybeans was \$2.18.

Prices of most major fats and oils in September averaged lower than in August, but prices of most domestic items remained well above the summer lows. Price declines from August were sharpest in edible vegetable oils, which had the largest increases the previous month. The price of tung oil continued to rise, reflecting small imports since February. The index number of wholesale prices of 26 major fats and oils (excluding butter) in September was about 155 percent of the 1935-39 average compared with 167 in August, the July low of 154, and 241 in September 1948.

CORN AND OTHER FEED

Market prices of feed grains advanced from late August to September, while those for a number of the high protein feeds declined sharply. Prices of corn, oats, barley and sorghum grains continued below Government loan rates in September. The average loan rate on 1949 corn will be \$1.40 per bushel, 4 cents per bushel lower than in 1948. In September corn prices were about 24 cents per bushel below the loan and are expected to remain below the loan rate in the 1949-50 season. Prices of animal protein feeds and soybean meal declined sharply in late August and early September, but in September these feeds were still relatively high as compared with the lower protein feeds. They probably will continue relatively high in 1949-50 in view of comparatively larger supplies of feed grain and the strong demand for protein supplements.

Receipts of corn continued relatively small this summer considering the large supply of corn available, but they did not decline as much as usual from the spring to the summer months. Market receipts together with the large commercial stocks of corn available earlier this year have been sufficient to take care of current commercial requirement of corn at prices below the 1948 loan rate. Commercial stocks of corn declined to a low level of around 5 million bushels in August and September from the peak of about 50 million bushels last January. Receipts of oats and barley in July and August were substantially larger than a year earlier. Larger quantities of these grains were placed under loan than in the same months of 1948.

The record supply of all feed concentrates, now practically assured for the 1949-50 feeding season, was estimated in September at about 181 million tons, 7 percent larger than for 1948-49 and the largest on record, either in total or in relation to the number of livestock to be fed. With livestock numbers increasing, some further gain in feed consumption is in prospect, but total use in the coming year probably will be less than this year's production. As a result some further increase in the carry-over of feed grains, particularly of corn, is in prospect for 1950.

WHEAT

Wheat prices have been advancing since the beginning of the marketing year. On July 2 the price of No. 2 Hard Winter at Kansas City was 35 cents under the loan rate. In late September it had advanced to the loan rate. The price advance is the direct result of large quantities of wheat being placed under the loan program. The movement to market at its peak was not large and at present is small. On the other hand, exports have been light since the beginning of the marketing season although they have been increasing recently.

The September 1 production estimate was 1,129 million bushels, slightly below the 1,132 million estimated in August. With the carry-over of 293 million bushels, the supply totals 1,422 million bushels. Domestic disappearance may total about 700 million bushels so that about 725 million bushels will be available for export in 1949-50 and carry-over July 1, 1950. Exports for the year beginning July 1 are now estimated at 400-450 million bushels, compared with 1948-49 exports of 501 million bushels. U. S. wheat exports are not expected to be changed significantly by currency devaluations in importing countries. Exports of wheat, including the grain equivalent of the products, in July and August totaled about 68.5 million bushels compared with the unusually heavy exports of 105 million bushels a year earlier.

The national acreage allotment of 68.9 million acres for the 1950 crop, announced on July 14, will be increased as a result of enactment of Public Law 272, signed August 29, which provides that farm allotments be not less than the larger of one-half of the 1949 or 1948 wheat acreage and fallow which was seeded to wheat in the preceding year, adjusted on the basis of the national reduction in acreage. While applicable to any farm in the United States the chief effect of this legislation will be to increase allotments in the drier areas of the Great Plains.

FRUIT

Prices growers will receive this fall for most of the large 1949 crops of deciduous fruits are expected to continue lower than in the same time of 1948. With production a near-record and movement of fruit to processors slow, grower prices have dropped sharply this summer to the lowest levels since 1942, but may not drop much further.

The deciduous fruit crop now being harvested is estimated at more than 10 million tons, (fresh weight), one-sixth larger than the small 1948 crop. With the commercial apple crop nearly one-half again as large as the 1948 crop and the largest in 10 years and the pear crop more than one-third larger than the 1948 crop and a new record, grower prices for these two fruits dropped sharply this summer to levels much lower than a year earlier and are expected to continue lower.

To help Pacific Coast growers move surplus fruit, the Government purchased 135 cars of Gravenstein apples in August, 1,145 cars of Bartlett pears in August and September, and 75 cars of Italian prunes in September, all for use in the School Lunch and institutional feeding programs. In August, the Government also purchased 937,210 cases of canned peaches for use in the School Lunch program. Additional purchases of apples are to be made in all important commercial producing areas for distribution in the School Lunch outlet. Exports of apples and winter pears are to be stimulated through an export payment program.

Although the 1949 cranberry crop is one-sixth smaller than the record 1948 crop, it is about one-fifth larger than the 1938-47 average. With the prospect that an increased percentage of the new crop will be marketed as fresh fruit which usually brings higher prices than cranberries that are processed, grower prices for the 1949 crop may average somewhat higher than the low prices for the 1948 crop.

Prices for the 1949 grape crop, which is about as large as the near-record 1948 crop, are expected to continue generally lower than a year ago. With a reduction in the tonnage crushed for wine and juice, more grapes will be left for drying into raisins than last year.

Because of the reduction in supplies resulting from unfavorable weather, prices for grapefruit are expected to continue generally higher this fall than a year earlier. Prices for California Valencia oranges probably will continue lower this fall than last, partly because of an unusually high percentage of small-sized fruit.

For the second consecutive year, production of tree nuts is expected to exceed 200,000 tons and set a new record, although pecan production was lower. But imports are expected to be smaller than in 1948-49, when they were about three-fourths as large as domestic production. Grower prices for most of the large 1949 crops probably will average lower than in 1948, although pecan prices may not drop as much as other nuts.

COMMERCIAL TRUCK CROPS

For Fresh Market

Because production is considerably lower this fall than last, prices growers will receive for most fresh market truck crops in the next few months are expected to average moderately higher than those of a year earlier. Aggregate tonnage is estimated to be about one-fifth smaller than that harvested last fall. Only cauliflower, of 11 crops reported, is expected to be in larger supply than last fall. Supplies of cabbage, carrots, celery, cucumbers, green peas and spinach are expected to be smaller than last year and smaller than average. The early fall crop of Danish type cabbage, which furnishes most of the cabbage for supplies out of storage during the winter and early spring is almost one-fourth smaller than last year and one-fifth below average.

For Processing

Based on production estimates for 7 truck crops grown for commercial processing and on partial acreage and yield indications for 4 others, aggregate production of the 11 crops may be about one-tenth smaller than last year and slightly below the 1938-47 average. Increased production indicated this year for green lima beans, snap beans, beets, and pimientos, and probably also for asparagus and spinach. However, these are much more than offset by anticipated decreases for tomatoes, sweet corn, green peas and cabbage for kraut. The decreases estimated for tomatoes, green peas, and sweet corn are due in part to decreases in acreage, reflecting, at planting time prospects for lower prices. Prices received for other processing crops this year probably will average about as high as last year.

POTATOES AND SWEETPOTATOES

The 1949 potato crop in the 29 late States probably will bring prices averaging somewhat lower than a year earlier and above the support level, which is about one-third lower than for the 1948 crop. The crop in these 29 States as of September 1 was estimated at 276 million bushels, 68 million bushels or nearly 1/5 smaller than the 1948 crop. About 1/3 of the total 1948 crop was drawn off by price-support purchases, and prices seldom rose above support levels.

Price-support purchases from the 1949 potato crop through September 27 totaled 7.8 million bushel. The 1949 price-support purchases were less than one-fourth those in the same period a year earlier, and included very few potatoes of U. S. No. 1 grade.

Although the 1949 sweetpotato crop is estimated to be 4 percent larger than the 1948 crop, it is 18 percent smaller than the 1938-47 average. Prices received by growers for this crop probably will average moderately above the 80 percent-of-parity support now in effect, but are expected to be moderately lower than those received for the 1948 crop. Little price support activity is likely to be necessary for this crop.

COTTON

The 1949 cotton crop as of September 1 was estimated at 14,943,000 bales, 500 pounds, gross weight. The carry-over on August 1 was estimated at 5,283,000 bales. Thus, the total domestic supply of cotton, including imports of 200,000 bales will be about 20 million bales, compared with 17.9 million last season.

New orders placed with manufacturers of textiles have increased in recent weeks and forward commitments have been extended farther ahead than at any time in the last several months. Prices for most grey cloth constructions advanced in August. The average price of 17 typical constructions increased 2.3 percent over July. This price increase marked the end of 19 consecutive months of decline during which cloth prices dropped 40 percent from the peak in December 1947. With mill stocks on September 1 at very low levels a moderate increase in domestic mill demand for cotton is expected to follow the upturn in new orders for textiles and increases in grey cloth prices. For the past several months, mills have been purchasing cotton only to meet immediate requirements and forward takings have been negligible.

Exports of cotton in the first two months of the current season are reported to be about as large as a year earlier.

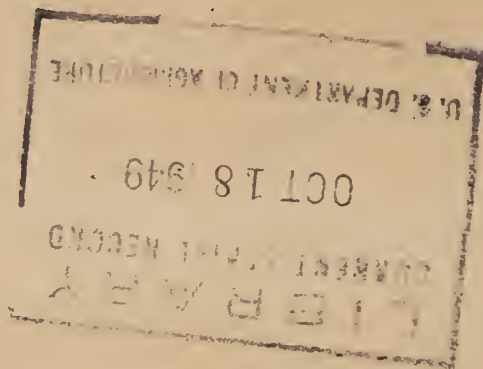
Spot prices of cotton have declined since the beginning of the cotton marketing season. Prices for Middling 15/16 inch averaged 31.55 cents per pound in the ten spot markets on August 1, 30.35 cents per pound on September 1, and 29.57 on September 29. The ten spot market loan equivalent for Middling 15/16 inch is 29.57 cents, the same as September 29 spot price. The average price received by farmers for cotton in mid-September was 29.70 cents per pound, which was 99 percent of the September parity price and 0.27 cents above the loan rate of 29.43 cents for Middling 15/16 inch, average location.

TOBACCO

The demand for United States cigarette tobacco is expected to continue moderately strong, but leaf prices for the cigarette types are not likely to reach the relatively high 1948 average. The 1949 flue-cured crop is about 70 percent marketed and prices have averaged 46.6 cents per pound compared with the record 49.6 cents season average last year. Burley auctions usually begin around December 1. Supplies of Burley are large and average prices may not reach the 46-cents-per-pound level of last season. Price support for the 1949 Burley crop is 40.3 cents per pound--5 percent below last season. Maryland production is now estimated to

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exceed last year and total supply is slightly larger. Maryland auctions begin in the spring. The support price for the 1949 Maryland crop is 41.8 cents 41.8 cents per pound compared with 43.9 cents for the 1948 crop.

Cigarette production appears to be leveling off although a new high, probably approaching 395 billion, will be reached this year. The 1948 production was 387 billion. Cigarette consumption in 1950 is likely to continue near recent high levels. However, in several States, users will be paying higher retail prices because of new or increased taxes enacted in the last few months. The use of pipe smoking tobacco in 1948 and 1949 has been at about the same rate but a small gain may occur in 1950.

Supplies of fire-cured and dark air-cured tobacco for 1949-50 are estimated at a little less than a year ago but are still large in relation to requirements. Prices for the 1949 crops are likely to be near the support levels. Price support for fire-cured is 30.2 cents per pound (75 percent of the Burley loan rate); and for dark air-cured, 26.9 cents per pound (66 2/3 percent of the Burley loan rate). The principal domestic outlets for dark tobacco are snuff and chewing. Consumption of both has been running below a year ago, Chewing may decline further in 1950.

The 1949-50 supply of cigar filler tobacco is slightly larger while binder is estimated at less than a year ago. Cigar wrapper supply is a record. Cigar consumption during January-August 1949 ran 2 percent below the same months of 1948. Cigars selling for 8 cents or less continued to gain relative to those over 8 cents.

Exports of unmanufactured tobacco during 1949 will probably be around 460 million pounds (declared weight) compared to 427 million last year. During 1950, ECA programs will continue as an important factor, and United States tobacco exports will probably be at least as large as in 1949.

